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Cuba and Haiti*

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# THE CARIBBEAN SITUATION: CUBA AND HAITI

by

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*with the aid of the Research Staff of the Foreign Policy Association*

## INTRODUCTION

THAT the Roosevelt administration intends to apply the "new deal" not only to domestic affairs but to relations between the United States and Latin America is indicated by two recent statements of the President. In his address to the governing board of the Pan American Union on April 12, the President declared that "the people of every republic on our continent are coming to a deep understanding that the Monroe Doctrine . . . was and is directed at the maintenance of independence by the people of the continent . . . Hand in hand with this Pan-American doctrine of continental self-defense, the peoples of the American Republics understand more clearly, with the passing years, that the independence of each republic must recognize the independence of every other republic." In his appeal of May 16 to the rulers of 54 nations, the President urged the conclusion of an agreement not to send armed forces across national frontiers, except in accordance with treaties. According to reports,<sup>1</sup> the President wishes to forbid not only acts of aggression by great powers against each other, but armed intervention by great powers in weak countries. This renunciation of the unilateral "right" of armed intervention for the protection of foreign lives and property may have a profound effect on the relations of the United States with Latin America, and on international relations generally.

### A NEW CUBA POLICY

The first major test of the Roosevelt administration has already arisen in Cuba—a country for which the United States has a special degree of responsibility by virtue of the Platt Amendment. According to this amendment, as embodied in the Permanent Treaty of 1903, the United States has the right to intervene in Cuba for the "maintenance of a government adequate for the protection of life, property, and individual liberty." Cuba, however, for a number of years has been the center of acute economic depres-

sion and political turmoil, which has involved attempted revolt and political murders. Apparently desiring to assist Cuba in a settlement of its problems, President Roosevelt appointed Mr. Sumner Welles, a diplomat with wide experience in Latin-American affairs, as Ambassador. Mr. Welles resigned his position as Assistant Secretary of State, and arrived in Havana on May 7. Before sailing he made a public statement declaring that Cuba depended on "fair and generous treatment from the United States for her economic life," and indicated his intention of negotiating a new reciprocity agreement.<sup>2</sup>

After the arrival of the new Ambassador, a number of conversations took place between President Machado and Mr. Welles concerning economic matters. In the latter part of May, Secretary of State Orestes Ferrara resigned in order to attend the economic conference at London as the representative of Cuba. His place in the Foreign Office was taken by Secretary of War Alberto Herrera, who had been frequently mentioned as Machado's choice for the next President.<sup>3a</sup> On May 30 the President signed a decree ordering the release of 145 prisoners in the penitentiary on the Isle of Pines, and the commutation of 150 sentences.<sup>3b</sup> On June 1 the President announced that he would ask Congress to call a constitutional convention to restore the office of Vice President.<sup>3c</sup> A few days later he stated that this position should be filled as soon as possible and that the Vice President should not aspire to any office in the general election of 1934. The President promised that he would allow the old parties to be reorganized and new parties to be created before the constitutional convention met.

Following an extensive conference with Ambassador Welles on June 5, General Machado announced two major projects: the first is the reorganization of the Cuban elec-

3. State Department, *Press Releases*, April 29, 1933, p. 280.

3a. *Havana-American News*, May 26, 1933; *Diario de la Marina* (Havana), May 28, 1933; *New York Herald Tribune*, June 4, 1933. For the removal of Major Ortiz, cf. p. 87.

3b. *Havana-American News*, May 31, 1933; *Diario de la Marina* (Havana), May 31, 1933.

3c. According to one report, he flatly denied that he had any intention of resigning before May 1935. *New York Times*, June 2, 1933; *Diario de la Marina* (Havana), June 2, 1933.

1. U. S. Department of State, *Press Releases*, April 15, 1933, p. 243.

2. *New York Herald Tribune*, May 17, 1933.

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toral laws under the supervision of Dean Howard Lee McBain of Columbia University; and the second is the immediate reorganization and re-opening of the National University under an autonomous régime, making the University entirely independent of Congress or the President. This reorganization is to take place with the assistance of an American educational expert.<sup>3d</sup> Another report states that Ambassador Welles has recommended prompt restoration of constitutional guarantees in the province of Havana, and the suppression of military supervisors.<sup>3e</sup> This series of developments led to a widespread belief that, following the constitutional convention, President Machado planned to turn over the government to a neutral Vice President, who would hold a fair election at the next regular date in November 1934. It is pointed out, however, that under the constitution a convention cannot be held

until six months after Congress has acted—or, at the earliest, in January 1934. On June 13 Dr. de la Torre, head of the Cuban revolutionary junta, declared in New York that no member of the opposition would trust any promises of the Machado government. If President Machado did not resign immediately, a revolt would take place before the end of the summer.<sup>3f</sup> On June 15 it was announced that both the A. B. C. movement and President Machado had agreed to accept the mediation of Ambassador Welles. In a memorandum, the A. B. C. leaders declared that they would refrain from further terroristic activities, but reserved the right to withdraw their support of mediation if excessive delay were encountered in carrying out political reorganization.<sup>3g</sup> The following report will attempt to show why the present situation has come into existence.

### THE MACHADO DICTATORSHIP

The Cuban government is headed by General Gerardo Machado, who was first elected President in the fall of 1924, as the candidate of the Liberal party. He assumed office at a time when Cuba was beginning to suffer severely from the effects of world over-production of sugar, and his energies were directed toward reorganizing and improving the economic life of the republic. To achieve this end, he attempted to raise the price of sugar by restricting production.<sup>3h</sup> He also inaugurated a protective tariff policy designed to increase local agricultural production, a policy which has had a certain degree of success.<sup>4</sup> Finally, under the law of July 15, 1925, he embarked on an ambitious public works program, the most important feature of which was the construction of a 700-mile central highway.<sup>5</sup> At the beginning of his first term, Machado repeatedly declared that his administration would not contract any new foreign loans.<sup>6</sup> In accordance with this attitude, the Public Works Law of 1925 established a special budget supplied by certain taxes, such as those on vehicles and gasoline.

In addition to taking a strong position against foreign loans, Machado originally promised that he would serve as President only for a single term of four years. Ap-

parently, however, he came to believe that his economic program could not be completed within this term and that only he could carry it out. He consequently resorted to various methods of suppressing the opposition and bringing about his re-election in November 1928 for a term which does not expire until May 1935. This election was preceded by a constitutional convention which adopted amendments providing for a single presidential term of six years, on the understanding that this stipulation would apply only to Machado's second term. The Cuban opposition declared that this convention was monopolized by Machado's followers, and that it was impossible for any independent candidate to run against the President in the election of November 1928.<sup>7</sup> Cuban jurists also asserted that the 1928 amendments were illegal. Article 115 of the constitution of 1901 provided that a constitutional convention could merely approve or reject amendments proposed by Congress. The 1928 convention, however, adopted entirely new proposals, thus arrogating to itself powers which, according to these critics, were illegal; some Cuban court decisions tended to support this view.<sup>8</sup>

5. For the text of this law as revised in 1928, cf. Cuba, *Boletín Oficial de la Secretaría de Hacienda* (hereafter cited as *Boletín de Hacienda*), June 1932, Appendix. This appendix also contains the text of all the loan contracts to which the Cuban government is a party.

6. Cf. Antonio Berenguer y Sed, *General Gerardo Machado y Morales, Sus Discursos y Su Obra de Gobierno*, Vol. I, 1925-1926, p. 42, 125; also *Por la Patria Libre, discursos pronunciados por el General Gerardo Machado y Morales* (1926), p. 18.

3d. *Havana-American News*, June 6, 1933; *El Mundo* (Havana), June 6, 1933.

3e. *La Prensa* (New York), June 7, 1933.

3f. *New York Times*, June 14, 1933.

3g. *Ibid.*, June 16, 1933.

3h. For details, cf. R. L. Buell, "Sugar and the Tariff," *Foreign Policy Association, Information Service*, May 29, 1929.

4. Cf. F. Todd, "Cuban Readjustment to Current Economic Forces," U. S. Department of Commerce, *Trade Information Bulletin*, No. 725, 1930, p. 4. This tariff severely injured American exports, cf. J. D. Phillips, "Nationalism Hits Our Trade in Cuba," *New York Times*, June 4, 1933.

7. For the details of the first Machado term, cf. R. L. Buell, "Cuba and the Platt Amendment," *Foreign Policy Association, Information Service*, April 17, 1929. The three organized parties supported Machado under the policy of "cooperativismo"; but these parties, it is charged, were dominated by professional politicians who profited from the government monopoly.

8. R. L. Buell, "The Cuban Revolt," *Foreign Policy Association, News Bulletin*, September 11, 1931.



### THE CHASE SYNDICATE LOANS

President Machado abandoned his opposition to foreign loans as quickly as his promise not to hold office a second term.<sup>9</sup> It soon became evident that the special taxes authorized in the law of 1925 would not provide the funds needed for the public works program envisaged in that law. Consequently, in February 1927, the government made a contract with the Chase National Bank of New York in which the latter agreed to purchase from the road constructors certificates issued by the government against work completed, up to \$10,000,000. These certificates were secured by a first lien on 90 per cent of the revenues from the public works fund and were to be paid off by the government by 1930-1931. The government was to pay 6 per cent interest on these notes, and was also to give the bank a commission of one per cent a year, or \$400,000 for the next four years.

Still hoping to avoid a long-term foreign loan through short-term financing, President Machado in June 1928 entered into a second contract with the Chase Bank, transforming the original \$10,000,000 into a revolving credit of \$60,000,000, which was now made available to the Machado government at 5½ per cent interest. Under this agreement the Chase Bank sold to the American public, on behalf of the Cuban government, work certificates to the amount of \$20,000,000; the bank advanced its own funds, totaling \$37,723,324, against certificates of the Cuban government which it retained in its portfolio. These certificates were to be repaid by the Cuban government between 1932 and 1935.

Confronted with the difficulty of repaying these certificates by the date stipulated and desiring further financial aid, the Cuban government made a third agreement with the Chase Bank in February 1930, which provided for an issue of public works 5½ per cent gold bonds to the amount of \$80,000,000, maturing in 1945. The bank agreed to purchase \$40,000,000 of these bonds, which cancelled the short-term certificates it held; in addition, it granted the Cuban government a one-year credit not to exceed \$20,000,000.<sup>10</sup>

9. From the beginning, Machado's relationship with American business interests has been close. Before his election he was an official in the Havana branch of an American public utility company, and his election was actively supported by representatives of American concerns. Cf. Carleton Beals, "The Crime of Cuba," *Common Sense*, January 19, 1933.

In 1928-1929 a leading American corporation, the Cuba Company, employed Colonel Carroll, a well-known Washington lobbyist, at a retainer of \$47,000, to fight the so-called Barlow claim. In testifying before a Senate committee, Colonel Carroll declared that the Cuba Company "tell me that they are not interested *per se* in the Barlow claim, but they are interested in Machado's administration." They wanted to sustain this administration, as they "think it is the best they have ever had down there." (United States Senate, Sub-Committee of the Committee of the Judiciary, 71st Congress, 1st Session, 1929, *Lobby Investigation, Hearings*, p. 65, 1267.) Before becoming Secretary of the Treasury, Mr. Woodin was a director of the Cuba Company, but resigned this connection on taking office. (*New York Times*, February 23 and March 3, 1933.)

In addition to contracting these public works obligations, the Cuban government borrowed \$9,000,000 in 1927 from J. P. Morgan & Co. at 5½ per cent, due in 1937. In November 1930 the Cuban Congress authorized the issuance of \$42,000,000 in 5 per cent bonds in connection with the Chadbourne sugar plan, secured by an export sugar tax and the sale of segregated sugar. On December 31, 1932 the total public debt of Cuba was as follows:

External debt .....	\$56,481,000
Internal debt .....	7,816,400
Public Works debt .....	88,242,713
Sugar Bonds debt .....	25,519,740

\$178,059,853<sup>11</sup>

In addition, the Cuban government has a floating debt of between \$35,000,000 and \$75,000,000, which brings the total to a minimum of \$213,000,000, as compared with less than \$100,000,000 at the beginning of Machado's first term.<sup>12</sup>

Despite this large increase in public debt, the financial and economic condition of Cuba steadily deteriorated. Exports, which in 1924 were about \$434,000,000, had fallen to about \$80,000,000 in 1932; imports showed a decline during the same period from \$290,000,000 to \$51,400,000. Government revenues also dropped from \$89,908,000 in 1928-1929 to \$47,645,230 in 1931-1932. This deterioration is attributed to the fact that Cuba has been a one-crop country, living largely on the export of sugar to the United States. Owing to world overproduction and to the increase of the duty on sugar to 2 cents a pound in the Smoot-Hawley tariff of 1930, the price of Cuban sugar since 1925 has depreciated to an unusual degree. In 1930-1931 it averaged 1.09 cents a pound, as compared with 2.24 cents in 1924-1925. During 1932 the price of sugar fell to .57 cents—the pre-war all-time low being three times as high.<sup>13</sup> By May 1933 the price had risen to

10. The actual gross spread on these \$40,000,000 of bonds was 4.35 per cent. After deducting expenses, the total profits to the American bankers on the above three categories of Cuban financing were \$627,927. (Cf. United States Senate, Committee on Finance, 72nd Congress, 1st Session, Part 4, *Sale of Foreign Bonds or Securities in the United States, Hearings*, testimony of Carl J. Schmidlapp, vice president of the Chase National Bank, p. 1947.) The Chase Bank acted on behalf of a syndicate of banks.

The Chase National Bank on April 1, 1927 employed as "new business man" Machado's son-in-law, José Emilio Obregon, who later became joint manager of the Havana branch. Mr. Obregon resigned in 1931. Out of a total of \$109,000 paid in legal fees, the Chase Bank paid \$20,000 to Mr. H. W. Catlin, the American confidant of Machado. (Cf. *Sale of Foreign Bonds or Securities, Hearings*, cited, p. 1949 *et seq.*)

11. H. G. Smith, "Revenues, Expenditures, and Public Debts of the Latin American Republics, 1932," Pan American Union, *Finance Series No. 4* (1933). The original principal of the four loans issued by Speyer and Morgan before the advent of Machado amounted to \$110,500,000. Cf. Max Winkler, "Investments of United States Capital in Latin America," *World Peace Foundation Pamphlets* (1928), p. 183. \$20,000,000 of the Public Works debt consists of gold notes which are a third lien on the Public Works revenues and were issued to the contractors by the Cuban government without any financing of the Chase syndicate.

12. The 1932-1933 Cuban budget provided the sum of \$5,716,000 for the service on the external debt, exclusive of the public works obligations and the sugar bonds. *Boletín de Hacienda*, cited, July 1932, p. 753.

13. Cf. *Annual Review of Mr. H. H. Pike, Jr., President of the Sugar and Coffee Exchange*.



1.74 cents, owing in part to inflationary causes. Many of Machado's opponents insist also that Cuba's economic difficulties have been aggravated by an alleged misuse of government funds and by political unrest.

#### THE CHADBOURNE PLAN

In an effort to increase the price of sugar, the Machado government accepted the Chadbourne plan, drawn up at Brussels in May 1931. This agreement provided that the leading sugar-producing countries would withdraw from the market their excess stocks, which could be sold over a period of five years, and would reduce current exports.<sup>14</sup> On November 15, 1930 the Cuban Congress enacted the Law for the Stabilization of Sugar, authorizing a bond issue of \$42,000,000, whereby producers would receive government bonds for each bag of surplus sugar turned over to a National Sugar Export Corporation. To pay the interest charges on these bonds, a tax of 11 cents was imposed on each bag of sugar produced. The law also authorized the President to fix production quotas. Since Cuban sugar producers were heavily indebted to American banks, the ownership of these sugar bonds tended to pass into American hands. In place of dubious private paper, the American banks thus secured government obligations. Moreover, in the Chadbourne plan, Cuba agreed to reduce its output 36.5 per cent, as compared with 10.42 per cent for Java and 15 per cent for the European beet-sugar countries.<sup>15</sup> Had Machado not been willing to consent to this sacrifice, which was greater than that of any other sugar-producing country, the Chadbourne plan probably would not have been concluded. The government issued a decree fixing the 1932 crop at 2,700,000 tons, and about a year later it fixed the 1933 crop at 2,000,000 tons, or less than half the crop produced in 1929.<sup>16</sup> Partly as a result of crop restrictions and partly because of tariff, Cuba's share in the United States sugar market decreased. In 1923 nearly 57 per cent of the sugar consumed in the United States came from Cuba, while in 1932 the percentage had declined to 28.3 per cent. Cuba's place was taken, not so much by domestic beet and cane sugar producers as by increased production in the Philippines, Puerto Rico and Hawaii. The percentage of sugar from these possessions consumed in the United States increased from 19.5 per cent in 1923 to 47.9 per cent in 1932.<sup>17</sup>

14. For a discussion of the Chadbourne plan, cf. L. B. Mann, "Overproduction of Raw Materials," Foreign Policy Association, Information Service, February 4, 1931.

15. Cf. L. A. Drake, "Can Sugar be Controlled?" *Barron's Weekly*, May 25, 1931.

16. *Facts About Sugar*, April 1932, p. 151; *ibid.*, February 1933, p. 73.

17. These percentages have been calculated from Willett and Gray figures.

Despite a one-hundred per cent cut in the budget since 1927,<sup>18</sup> it is estimated that at the end of the fiscal year on June 30, 1933 the government owed its employees \$9,000,000 for back salaries, or about one-fifth of the budget. During the past two months, salaries were cut in half and were between four and six months in arrears.<sup>19</sup>

#### MEETING THE DEBT CHARGES

Unable to meet the full interest payment on the Chase obligations, the government in June 1932 signed a contract with the Chase Bank, under which the latter agreed to advance the sum of \$2,278,125 toward meeting the forthcoming service charges.<sup>20</sup> To meet the service charges falling due December 31, 1932, the government signed a second contract with the Chase Bank on December 1, 1932 for a further loan of \$3,106,250.<sup>21</sup> Foreign oil companies also agreed to advance certain sums for six months, to be credited against future taxes. Finally, by a contract of March 2, 1933, the Chase Bank agreed to extend for ninety days the \$20,000,000 credit made in 1930 for one year.<sup>22</sup>

President Machado defended his policy of continuing to meet service on the foreign debt on the ground that it was necessary to protect the credit of the Cuban government.<sup>23</sup> Critics however, declared that the motive of the President was to curry favor with the United States. They asserted that the policy of meeting foreign obligations, even by means of new borrowing, when the population was at a starvation level was ruinous to the country. Many countries, under similar circumstances, had declared moratoriums,<sup>24</sup> and they argued that Cuba should follow the same course. In view of rapidly deteriorating economic conditions, the Congress in a law of April 3, 1933 authorized the President to declare a "delay" in the service of the principal of both the external and internal debt.<sup>25</sup> The President has not, however, as yet declared a moratorium on the payments due June 30.

During his first term, President Machado was accused not only of repressing political opposition, but also of assassinating a number of radical labor leaders and other op-

18. For the fiscal year 1933-1934 the budget expenditure has been fixed at \$40,621,000. *Havana-American News*, May 26, 1933.

19. *La Prensa* (New York), May 11, 1933.

20. *Boletín de Hacienda*, cited, July 1932, p. 726.

21. These advances were to be repaid by consumption taxes on rice and sugar. Both the June and December advances had been repaid by May 1933.

22. *Boletín de Hacienda*, cited, April 1933, p. 229. This credit may be prolonged in successive periods of ninety days or less for two years.

23. Cf. *Boletín de Hacienda*, cited, April 1933, p. 207.

24. Cf. letter of Manuel Márquez Sterling in resigning as Cuban Ambassador to Mexico. *La Prensa* (New York), September 14, 1932.

25. *Boletín de Hacienda*, cited, April 1933, p. 229. At the same time a law went into effect authorizing a two-year mortgage moratorium.



ponents.<sup>26</sup> When the President began his second term in May 1929, opposition rapidly increased. As unrest developed, the State Department attempted to remove the impression that, under the Platt Amendment, the United States would not allow a revolution against Machado. In response to a question of whether the United States would land troops to maintain the Machado régime if the latter were threatened by revolt, Secretary of State Stimson declared on October 2, 1930 that the United States had never landed troops in Cuba for this purpose. This country's policy, he said, had been defined in a letter of April 3, 1901 from Secretary of War Elihu Root to General Wood—which stated that the intervention authorized by the Platt Amendment was not synonymous with interference in the affairs of the Cuban government.<sup>27</sup> Mr. Stimson added, however, that every case in the future would be judged on its own merits, and a situation might arise which would distinguish it from preceding cases.<sup>28</sup> In view of these qualifications, the Cuban opposition continued to argue that the Hoover administration and Ambassador Guggenheim were definitely supporting Machado. This charge, however, the Ambassador vigorously denied.<sup>29</sup>

#### THE REVOLT AGAINST MACHADO

In August 1931 a revolt against Machado was launched but, by means of a highly trained army of 12,000 men whose salaries had not been reduced as had those of other employees, Machado quickly suppressed the revolt and captured its leaders. The State Department issued no warning against disorder when this revolt was first rumored, and did not impose an embargo on the sale of arms to revolutionists. These acts of neutrality had little significance for many Cubans, because of the rapidity with which Machado's army suppressed the revolt. The opposition contended that the army backed Machado largely because of the psychological support which the Platt Amendment gave the government in power.

Shortly after the collapse of this revolt, a number of young professional men founded an organization called the A. B. C., which in

a sense was the outgrowth of a student movement.<sup>30</sup> For many years Cuban students and professors had demanded that the government keep politics out of the University of Havana. As a result of this demand President Zayas, in May 1923, established a University Assembly of 90 members, composed of professors, students and alumni. On February 18, 1926 President Machado promised to carry out the educational plan recommended by this Assembly. In November of that year, however, Machado abolished the Assembly and appointed a personal friend Rector of the University.

Following these measures and Machado's efforts to secure constitutional amendments authorizing his re-election, the Cuban students began an active agitation. On October 14, 1927 a student group tore down a sign carrying Machado's name. This incident led to a number of expulsions from the University, as a result of which many students were forced to go into exile. The leader of this protest movement, Julio Antonio Mella, was assassinated in Mexico City in January 1929.<sup>31</sup> Although closed during the Pan-American Conference of 1928, the University was re-opened in April and, in an attempt to suppress student agitation, soldiers were stationed throughout the building. In September 1930, following the death of Rafael Trejo at the hands of the police in a student demonstration, the Cuban students, organized into a Directory, began to arm themselves and to intensify underground methods.<sup>32</sup> On July 1, 1931 the President closed the University, the high schools and the normal schools throughout the country. Despite a decision of the Cuban Supreme Court that such action was unconstitutional, these educational institutions have remained closed. In July 1932 the students issued a proclamation that they would not return to school so long as Machado remained in power.<sup>33</sup>

#### The A. B. C. Movement

Against this background the A. B. C. came into existence. The A. B. C. works in complete secrecy and is based on a series of "cells," each having ten members. It has a total membership of between 5,000 and 10,000 members.<sup>34</sup>

In a manifesto published at Havana in December 1932, the A. B. C. presented a

26. Cf. Buell, "Cuba and the Platt Amendment," cited.

27. Mr. Stimson again quoted the Root letter in correspondence with Congressman Hamilton Fish. Mr. Stimson declared that the Permanent Treaty of 1903 did not impose any obligation on the United States. *New York Times*, January 27, 1933.

28. *The United States Daily*, October 3, 1930. It may also be of significance that Secretary Stimson did not quote Mr. Root's second interpretation of the Platt Amendment, made to a Cuban commission in April 1901, to the effect that the United States would intervene in Cuba only in case of "anarchy" or when Cuba's independence was threatened.

29. One cause for misunderstanding between the United States and the Cuban opposition was the refusal of the American government to grant asylum to Cuban political offenders, in accordance with its traditional objection to this practice. J. B. Moore, *Digest of International Law* (New York, Macmillan, 1924), Vol. II, p. 781. This attitude is in contrast to the Pan American Convention on Asylum, concluded at the Havana conference of 1928. Cf. R. L. Buell, "The Sixth Pan American Conference," *Foreign Policy Association, Information Service*, July 6, 1928.

30. Cf. two interviews with an anonymous A. B. C. leader. *La Prensa* (New York), February 22 and 23, 1933.

31. An investigation of the Mexican government supported the charge made previously that Mella had been killed by one of Machado's gunmen. Cf. *El Universal* (Mexico City), March 29, 1933; also *New York Herald Tribune*, Jack Starr-Hunt's dispatch, April 27, 1933.

32. This material is drawn largely from an address before the Institute of Cuban Affairs on December 10, 1932 by Ventura F. Dellunde, "The Struggle of the Cuban Students for Liberty."

33. In April 1933 the President sent a message to Congress recommending that the University of Havana be forced to open in October. *New York Times*, April 16, 1933.

34. Cf. Hubert Herring, "Machado Must Go," *Nation*, May 3, 1933; also the series of special articles by Russell Porter, *New York Times*, February 3 to 7, 1933.



searching criticism of the underlying structure of Cuban society, and a detailed program of reform. According to the A. B. C., the problem of Cuba "should be solved within Cuba." Toward this end it proposes a series of economic measures directed toward placing the wealth of the Island in the hands of the Cuban people. It favors legislation to develop small rural proprietors and to bring about the gradual disappearance of large estates by such means as a progressive land tax. It also favors the development of cooperative societies with the aid of an Agricultural Bank; enactment of monetary legislation, including the organization of a National Bank which will extend more elastic credit to small producers; the nationalization of public services which tend to be monopolistic; and the adoption of advanced social legislation, including accident, old-age, death and unemployment insurance, and the eight-hour day. From the political point of view, it wishes to establish governmental responsibility more securely than in the past. It consequently opposes the delegation of power by Congress, and wishes to impose limitations on the present immunity of Congressmen, as well as on the Cuban practice of granting amnesties of political offenses. It advocates the establishment of tribunals to hold officials accountable for their acts, and to determine their wealth at the beginning and end of their terms of office. It asks the abolition of the Senate in favor of a Corporative Chamber, the establishment of woman suffrage, and a literacy test for voters. It favors the suppression of the Lottery and the establishment of compulsory military service. Finally, it supports the development and diffusion of education, as well as autonomy for the University. "Fundamentally economic in its interpretation of the historic Cuban problem, the A. B. C. program does not share the blind confidence of the old liberalism in the automatic advantages of democracy . . . ." At the same time, the A. B. C. repudiates both fascism and communism because they formally exclude the principle of political liberty, which this movement supports.<sup>35</sup>

#### The Porra and Political Murders

To aid the government in meeting this growing opposition, two army officers organized "La Partida de la Porra" in 1931, recruited partly from the ranks of former criminals and supplied with government arms and wages. The Porra has been charged with committing many crimes of assault, intimidation and assassination against opponents of Machado.<sup>36</sup> Perhaps the most notorious official, in so far as terrorist acts

are concerned, was Major Arsenio Ortiz. In 1931 a Cuban court in Oriente province formally charged that as military supervisor Ortiz had committed forty-four political murders. President Machado, however, proceeded to make Ortiz chief of the Havana police, and he continued his reign of terror.<sup>37</sup>

It was not until July 9, 1932, when all other methods of ridding Cuba of Machado had failed, that the A. B. C. resorted to its first reprisals. At that time the head of the secret police was assassinated and shortly after a number of other officials were killed by bombs. On September 27, 1932 opponents of Machado assassinated Dr. Vázquez Bello, president of the Senate and leading supporter of the administration. On the same day Professor Guillermo Freyre de Andrade, a prominent lawyer and opponent of Machado who was defending students charged with killing a military officer, was assassinated at home, together with his two brothers.<sup>38</sup> In March 1933, the head of the Porra met a violent death. The government retaliated with more and more severe measures.<sup>39</sup> A notorious case occurred early in January 1933 when a student, Angel Alvarez Fernandez, was arrested on a charge of complicity in the assassination of Dr. Vázquez Bello. His death occurred a few hours after Secretary of State Orestes Ferrara had promised Ambassador Harry F. Guggenheim that the youth would be given a fair trial. On January 9, 1933 the government imposed the first censorship in its history on English-language newspapers, while the military censorship on local papers was made so severe that it became almost impossible to print news.<sup>40</sup>

By the spring of 1933 about a thousand Cuban political refugees had taken up residence in Miami, Florida. Divided at first into four main groups—the Conservatives, led by former President Mario G. Menocal; the Liberals, led by former Major Miguel Gómez; the Nationalists, led by Colonel Carlos Mendieta; and the A. B. C. group—these refugees combined in April 1933 into a revolutionary junta, headed by

37. W. G. Shepherd ("Help Cuba Quickly," *Collier's*, May 27, 1933) states: "Ortiz's name carries terror. The Russian OGPU is not more frightful. He and his men go into homes and drag men and women, boys and girls, before the military courts, or put them into prison and hold them for months, without trial, charges or explanations. The only courts, aside from those in which civil suits are tried, are courts-martial, manned by soldiers and officers. There are no jury trials. There is no bail. There is no habeas corpus."

Following the arrival of the new American Ambassador, Mr. Sumner Welles, in Havana, it was reported that Ortiz would be tried for his offenses; he subsequently sailed for Germany on June 14. *New York Herald Tribune*, June 16, 1933.

38. *New York Times*, September 28, 1932.

39. Cf. articles by Shepherd, Beals, Porter, Herring and others, cited.

40. Cf. C. W. Hackett, "Unrest and Disorder in Cuba," *Current History*, March 1933. Between March 3 and May 7, 1933 press dispatches show that government officials shot down 32 students and other "rebels," while 13 government officials lost their lives. These deaths were not the result of an organized revolutionary movement, but for the most part isolated acts.

35. *El A. B. C. Al Pueblo de Cuba: Manifiesto-Programa* (La Habana), December 1932.

36. *New York Times*, March 12, 1933.



Dr. Carlos de la Torre, a noted scientist and former professor at the University of Havana.<sup>41</sup>

#### FUTURE DEVELOPMENTS

A solution of the Cuban problem may depend on three main developments: (1) The political reorganization of the country, which now seems to be taking place. (2) A revision of the reciprocity treaty and other measures insuring secure access of Cuban sugar to the American market.<sup>42</sup> Any economic plan may also include a program of

agrarian reform and possibly the revision of Cuba's foreign debt. (3) A reconsideration of the Platt Amendment. A number of Cubans and Americans favor the abrogation of the Platt Amendment, in order to remove any basis for the belief that this Amendment has indirectly fostered dictatorship or the absorption of Cuba's resources by foreign capital. Others believe, however, that because of the proximity of Cuba to the United States and the special conditions under which the Cuban republic came into existence, the Platt Amendment should remain in force.

#### TERMINATING THE OCCUPATION OF HAITI

One of the outstanding features of the Hoover Caribbean policy was the attempt to terminate the intervention of Haiti—one of the two Negro republics in the world. The basis of this intervention was a treaty of September 15, 1915 which went into effect on May 3, 1916 for a period of ten years, subject to renewal by either party. On March 28, 1917 the two governments signed a protocol extending the duration of the treaty for a further period of ten years, or until May 1936.

Following disturbances in Haiti caused by dissatisfaction with various aspects of American administration,<sup>43</sup> President Hoover sent a special message to Congress on December 7, 1929 requesting an appropriation of \$50,000 to send a commission of investigation to Haiti—a request which was granted. On February 4, 1930 the President declared that the object of the commission was to determine "when and how we are to withdraw from Haiti" and what to do in the interval. What was needed, he said, was a new and definite policy looking toward "the expiration of our treaties."<sup>44</sup> On February 7 the President named as members of the commission W. Cameron Forbes, Henry P. Fletcher, Elie Vezina, James Kerney and William Allen White. At the same time he announced that Dr. R. R. Moton, president of Tuskegee Institute, would investigate the educational situation. The Forbes commission arrived at Port-au-Prince on February 28, 1930, and after a visit to the interior left the country on March 16.

#### THE FORBES REPORT

In its report, submitted to the President on March 26, the commission declared that un-

der American control Haiti had made great material progress, and regretted that the educated Haitians showed little appreciation for the services rendered by the occupation. Nevertheless "the acts and attitude of the treaty officials gave your commission the impression that they have been based upon the assumption that the occupation would continue indefinitely . . . ." It expressed disappointment to find that the preparation of the Haitians for the responsibilities of government "had been inadequate . . . . The failure of the occupation to understand the social problems of Haiti, its brusque attempt to plant democracy there by drill and harrow, its determination to set up a middle class—however wise and necessary it may seem to Americans—all these explain why, in part, the high hopes of our good works in this land have not been realized."<sup>45</sup> The commission concluded by making a number of recommendations looking toward an "increasingly rapid Haitianization of the services, with the object of having Haitians experienced in every department of the government ready to take over full responsibility at the expiration of the existing treaty." On March 28, 1930 President Hoover announced that he had adopted the recommendations of the commission as the basis of his policy toward Haiti.<sup>46</sup>

#### THE MOTON REPORT ON EDUCATION

The report of the educational commission, which was composed of American negro educators,<sup>47</sup> was published on October 1, 1930. After an exhaustive analysis, the commission proposed the restoration of a unified educational system and a reduction in the scale of operation of the Service Technique—the system of vocational and agricultural education established by the occupation. It recom-

41. *New York Times*, April 18, 1933; *New York Herald Tribune*, April 27, 1933.

42. Cf. an address by H. H. Plke, Jr., before the National Foreign Trade Council, *Our Trade with Cuba: An Examination of our only Reciprocity Treaty*. The sugar question may be discussed in a subsequent issue of *Foreign Policy Reports*.

43. For a detailed description of this administration, cf. R. L. Buell, "The American Occupation of Haiti," *Foreign Policy Association, Information Service*, November 27-December 12, 1929; also A. C. Millsbaugh, *Haiti under American Control, 1915-1930*, World Peace Foundation, 1931.

44. Cf. Millsbaugh, *Haiti under American Control, 1915-1930*, cited, p. 182, et seq.

45. "Report of the President's Commission for the Study and Review of Conditions in the Republic of Haiti, March 26, 1930," State Department, *Latin American Series*, No. 2.

46. *New York Times*, March 29, 1930. Millsbaugh, *Haiti under American Control, 1915-1930*, cited, p. 187.

47. In addition to Dr. Moton as chairman, the commission included Dr. Mordecai W. Johnson, Leo M. Favrot, W. T. B. Williams, Benjamin F. Hubert. Cf. "Report of the United States Commission on Education in Haiti," State Department, *Latin American Series*, No. 5.



mended that the amount of money applied to the retirement of the national debt in excess of treaty arrangements be applied henceforth for certain educational purposes, and that by 1935-1936 20 per cent of the total budget be applied to education. It also recommended that the United States grant a sum to carry on a successful educational program and that a permanent joint commission, composed of Americans and Haitians, be established to carry out such a program.<sup>52</sup> None of these recommendations have so far been carried out.

#### RESTORING THE HAITIAN GOVERNMENT

In the course of its investigation, the Forbes commission soon realized that a change in the existing political situation was immediately necessary if bloodshed was to be averted. It consequently recommended that the Council of State elect a neutral as Provisional President, to take office on May 15—the date on which President Borno's term came to an end. After its membership had been changed, the Council of State proceeded to elect M. Eugene Roy Provisional President, and he was inaugurated on May 15, 1930.<sup>53</sup> A second step in carrying out the recommendations of the Forbes commission was to hold parliamentary elections, which had been discontinued in 1918. The purpose of these elections was to make possible the restoration not only of the legislature but of the National Assembly. The latter body, which is composed of both houses of the legislature, elects the Haitian President and enacts constitutional amendments. The Haitian leaders opposed the supervision of these elections, and the United States apparently did not wish to assume such responsibility. On October 2, 1930 the Department announced that, since the United States had no treaty right to lend its assistance in this respect, it would "exercise no supervision over the elections, and will not instruct its officials in Haiti to assume responsibility in any way in the holding of said elections. The matter is entirely a Haitian affair, and the United States Government and all the United States officials in Haiti have been instructed to maintain a strictly neutral attitude . . ."

The elections took place on October 14 and resulted in an overwhelming victory for anti-American candidates, organized in the *Cartel*. Out of 36 deputies and 15 Senators, the

Borno group did not win a single seat.<sup>54</sup> On November 19 the National Assembly elected as President of the republic M. Stenio Vincent. M. Vincent's term of office, which is for six years, expires on May 15, 1936. On July 15, 1932 the National Assembly adopted a new constitution to take the place of the 1918 document drawn up under the American occupation. A third step in the new Hoover program was the resignation on November 1, 1930 of General J. H. Russell as High Commissioner. His place was taken four days later by a civilian minister, Dr. Dana G. Munro,<sup>55</sup> who had been chief of the Latin American Division of the State Department.

#### Agreement Regarding Treaty Services

Although the Haitian parliament was restored and a President elected by the National Assembly, the task remained of transferring administrative responsibility from the United States to Haitian officials and of withdrawing the 750 marines which still occupied the Island. An important step in this direction was taken by an agreement signed on August 5, 1931 by the two governments. This treaty provided that on October 1 the Haitian government would assume "rightfully and definitely" the direction of three of the five treaty services—Public Works, Public Health and the Service Technique. At Port-au-Prince and Cap Haitien, where American troops were temporarily stationed, an American Scientific Mission, composed of three medical officers nominated by the United States, would continue to have control of sanitation. The rights of the American Legation to object to proposed Haitian legislation and of the Financial Adviser to visa payments of the Haitian Secretary of Finance were abrogated.<sup>56</sup> Moreover, the land title registry office was detached from the Financial Adviser and placed under the complete control of the Haitian Secretary of Finance. The Haitian government agreed to pay an indemnity to the American officials who had been employed in the three transferred services, since the United States believed that their discharge would be "unduly precipitate."

#### Haitian Control over Finances

As a result of the August 5 agreement, the United States thus turned over three services to the Haitian government on October 1. It

54. Sen. Charles Fombrum, Borno's Minister of the Interior, was elected, but he had deserted Borno in 1929.

55. Cf. Millsbaugh, *Haiti under American Control, 1915-1930*, cited, p. 193.

56. I.e., as embodied in the accords of August 24, 1918 and December 3, 1918. For the text of the August 1931 agreement, cf. State Department, *Press Releases*, August 15, 1931. At the time of concluding this agreement, the American military authorities withdrew the proclamation of martial law, under which the United States could over-ride any opposition of the Haitian officials. The withdrawal of this proclamation technically terminated the "occupation" of Haiti, although in point of fact the proclamation had been sparingly applied during the last few years.

52. While the Moton commission was making its investigation, the State Department appointed Dr. Colvin to take the place of the unpopular Dr. Freeman as head of the Service Technique, or service of agricultural education. This appointment aroused a storm of protest in Haiti, leading to the resignation of the Haitian cabinet; the Haitians thought a native should have been appointed to the post. Cf. R. L. Buell, "Caribbean Troubles," *Foreign Policy Association, News Bulletin*, November 28, 1930; also State Department, *Press Releases*, July 5, August 16, 1930.

53. State Department, *Press Releases*, May 24, 1930, p. 267.



continued, however, to administer the office of the Financial Adviser-General Receiver and the Haitian Garde—the only military and police organization in the country. Negotiations regarding the relinquishment of American control over Haitian finances and the Garde, which then took place, were affected by the existence of certain commitments to the interests which had purchased Haitian bonds issued in 1922.<sup>57</sup> When a leading Haitian denounced these bond issues before a Senate investigating committee in 1932, charging that they had been imposed by force, Secretary Stimson wrote to Senator Reed Smoot: "The United States has never taken the position that it had any financial obligation or that it guaranteed these loans in any way whatsoever."<sup>58</sup> The United States believed, nevertheless, that the Haitian government had assumed certain obligations toward these bonds which it should respect. Ordinarily, the customs receivership established by the 1915 treaty with Haiti would expire in 1936. In 1919, however, the two governments signed a protocol in which Haiti agreed to contract a thirty-year loan and to authorize the United States to nominate an officer to "control" the collection of certain revenues as security for this loan after the 1915 treaty had come to an end and until the loan had been repaid.<sup>59</sup> The revenues pledged to this loan included not only the customs but also internal revenues. Since the bonds, totaling \$23,660,000, were issued in 1922 for a term of thirty years, the "control" stipulated in the 1919 protocol could run until 1952—sixteen years after the expiration of the 1915 treaty.<sup>60</sup>

In his message to Congress of December 10, 1931, President Hoover stated that the Haitian loans were issued on the basis of the 1915 treaty "and the American financial control which it provided during the life of the bonds."<sup>61</sup> This intimation that the United States could continue the receivership until possibly 1952 was vigorously opposed by the Haitian government, which contended that the right to "control" the collection of Haitian revenues was less extensive than the

right to "collect, receive and apply" such revenues granted by the United States in the 1915 treaty. In a note of December 22, 1931 the Haitian government denied that the 1919 protocol authorized continuance of the American receivership after 1936. On the expiration of this treaty, "complete administration" of the customs and other revenues would be in Haitian hands, subject only to "control" by the United States.<sup>62</sup>

The Haitian government proposed a Fiscal Agency plan which, in its opinion, would satisfy the obligations of the 1919 protocol.<sup>63</sup> It agreed to authorize the National Bank of Haiti, which is a branch of the National City Bank of New York and therefore under American management, to place the pledged revenues into a special account necessary for the service of the 1922 loan. The bank was in a position to do so since, as treasurer of the government, it received all government funds. The Haitian government also offered to have an American inspector general and two American assistants watch over the collection and allocation of these revenues. It also agreed to place the personnel of the customs service, as well as of the Haitian Garde, on a civil service basis. By such means it hoped to prevent these services from falling under the control of local politics. Finally, it offered to employ an American military mission for a period of three years, to advise the administration of the Haitian Garde after it had become thoroughly Haitianized.<sup>64</sup>

President Vincent's attitude was revealed on December 26, 1931 when he declared that it was to the interest of the United States to put "an end to the intricate financial machinery" established by the 1915 treaty. It was the desire of his government "to give the bondholders of the American loan serious guarantees of a technical order in place and stead of the vexatious political protection still in vigor . . . . It is not possible, Haiti being the only country in the world making advance payments for the last years on the interest and amortization of its public debt, that for a miserable \$15,000,000 owing to a handful of American capitalists the United States shall continue any longer by its military and political domination over Haiti to bear pressure upon the destinies of an American republic, the second in this hemisphere

57. Series A, amounting to \$16,000,000, were bought by the National City Company of New York and offered to the public. Series B, of \$5,000,000, went to pay off the internal debt; it is believed however that many of the B bonds are held by foreigners. Series C, of \$2,660,000 were exchanged for National Railway Bonds, issued by a corporation representing American interests. Thus the larger part of the Haitian debt is held in the United States.

58. *Sale of Foreign Bonds or Securities in the United States, Hearings*, cited, p. 2179. M. George Léger declared: "the Haitian people of their own free will and of their own initiative have never solicited or expressed the desire of making a loan on the United States market . . . The State Department . . . forced that loan on the Haitian people." *Ibid.*, p. 2127.

59. Malloy, *Treaties of the United States*, Vol. III, p. 2678.

60. In view of advance amortization payments, it is possible that the Series A loan will be retired in 1943 instead of 1952, Series B loan in 1935, and Series C in 1942. The American control over Haitian finances may therefore be terminated before 1952.

61. Cf. *United States Daily*, December 11, 1931, p. 3.

62. *Exposé Général de la Situation, 1930-1931* (Port-au-Prince), p. 66.

63. In 1931 the Haitian Chambers voted resolutions expressing the view that this protocol was invalid, since it had not been approved by the proper legislative authority in Haiti. Commenting on this action the State Department pointed out that a special article in the Haitian constitution of 1918 ratified the acts of the executive power. State Department, *Press Releases*, April 23, 1932.

64. This plan was defined in a memorandum of June 12, 1932. It was advanced as early as October 21, 1931. Cf. *Sale of Foreign Bonds or Securities in the United States, Hearings*, cited, testimony of George N. Léger, p. 2158; also *Exposé Général de la Situation 1930-1931*, p. 66.



to acquire its independence."<sup>65</sup> Although the State Department agreed that the receivership, as such, would be terminated with the expiration of the 1915 treaty in 1936, it stated that it was "entitled to insist upon such arrangements as in the reasonable view of the United States will assure the carrying out of the obligations in the 1919 protocol."<sup>66</sup> It did not believe, moreover, that the Fiscal Agency plan offered by the Haitian government would adequately protect the interests of American bondholders under the 1919 protocol. Apparently it thought that the right to "control" the collection of Haitian revenues was equivalent to the right to "collect" such revenues.

#### UNITED STATES-HAITI AGREEMENT OF SEPTEMBER 1932

Following the resignation of Foreign Minister Abel Léger, the Vincent government gave way and accepted the views of the United States. On September 3, 1932 the United States and Haiti signed a treaty and two protocols for the purpose of terminating "as soon as practicable and in an orderly manner" the occupation of that republic by the United States.<sup>67</sup> The agreement provided that two officials, called the Fiscal Representative and the Deputy Fiscal Representative, should continue to collect the customs until the final retirement of the 1922 loan. Although the United States in this agreement surrendered responsibility for the collection of internal revenue, a service which was now placed under a Haitian director, the American Fiscal Representative was authorized to inspect this service and, if he declared that an employee was inefficient, the Haitian government would suspend the employee. The government undertook to balance its budget annually and to take other measures "in accordance with the Fiscal Representative." The United States agreed not to object if the Haitian government wished to float a "Liberation Loan" by which the present debt could be refunded immediately and American control removed. In an exchange of notes, it was agreed that no judicial proceedings could be taken against the Fiscal Representative without the consent of the United States. The agreement also provided that the Haitian Garde would be completely Haitianized by December 31, 1934 and that, when Haitianization was completed, the American marines and the Scientific Mission established by the 1931 agreement would be withdrawn. An exchange of notes declared, however, that "if serious disturbances or other difficulties in Haiti now unforeseen should arise" it might prove impossible to carry out

the Haitianization of the Garde by December 31, 1934. Moreover, in the agreement Haiti authorized the United States to establish a Military Mission to inspect all activities of the Garde, and to make recommendations concerning improvements in its organization and, when necessary, disciplinary measures to be taken against any officer or enlisted man in the Garde.

#### Haiti Rejects Agreement

The agreement and protocols of September 1932 aroused widespread criticism in Haiti.<sup>68</sup> It was declared that the proposed Fiscal Representative would actually have greater powers than the American Receiver-Financial Adviser. The representative would "be the exclusive master of the financial and economic life of the Republic of Haiti," for the government would be obliged to accept any of his recommendations concerning internal revenue. The new agreement provided for the continuance of the Office of Internal Revenue as a virtual dependency of the Fiscal Representative, although that office did not exist at the time of the loan agreement of 1922 and was not authorized by that agreement. The proposed Liberation Loan—under which the Haitian government could terminate American control—could not possibly be marketed under present conditions.

The provision that the withdrawal of the American marines on December 31, 1934 could be suspended in case of unforeseen difficulties was also severely criticized. Was the United States alone to decide this question? If so, could the United States invoke the "unseen difficulties" argument to postpone evacuation indefinitely, even after the expiration of the 1915 treaty in 1936? No time limit was placed on the proposed military mission consisting not only of officers but of enlisted men, thus opening the door to the indefinite occupation of Haiti by American forces. Although the 1915 treaty would definitely terminate American control in 1936, the 1932 agreement—many Haitians feared—made the continuance of such control dependent largely on the wishes of the United States. It might also have been pointed out that in this agreement the United States was much less generous than in the case of the Dominican Republic where it had recently acquiesced in the violation of the convention of 1924, in view of the financial needs of that government.<sup>68a</sup>

Repeating such arguments, a commission of the National Assembly reported on September 12 that these agreements, far from liquidating the 1915 treaty, merely aggravated the situation. The agreements did not,

65. *New York Herald Tribune*, January 31, 1932, letter of Dantes Bellegarde, Haitian Minister, January 17, 1932.

66. State Department, *Press Releases*, April 23, 1932.

67. State Department, *Press Releases*, September 10, 1932.

68. Cf. a series of articles by George Léger, *Le Nouvelliste*, September 9 to 13, 1932.

68a. State Department, *Press Releases*, November 14, 1931, p. 454.



in its opinion, conform to the Forbes commission report or to the statements of President Hoover.<sup>69</sup> On September 15 the treaty was unanimously rejected by the National Assembly.<sup>70</sup> On the 16th President Vincent issued a proclamation that he had signed this agreement in order to stabilize the situation before a change of administration took place in the United States. The implication of this statement was that Haiti could expect even less generous terms from Mr. Roosevelt, who, as Assistant Secretary of the Navy, had assisted in the establishment of the American occupation in 1915, than from Mr. Hoover.

The treaty was also supported by the United States in a note of September 23, 1932 which declared that the powers of the proposed Fiscal Representative were substantially less than those of the existing Receiver. The note added that the United States was not disposed to discuss the withdrawal of the marines or the complete Haitianization of the Garde in advance of the expiration of the 1915 treaty except in connection with a definite settlement of all the questions at issue.<sup>71</sup> On September 26 the Haitian government declared that this notification signified a "sort of decision to do nothing until after 1936," which was not in accord with the obligations of the United States. Haitian public opinion would not understand how the American government could place its responsibility toward the bondholders of the 1922 loan above those which it had assumed toward the people of Haiti. The State Department replied, in a note of October 7, that the interpretation that the United States intended to stop further Haitianization of the Garde was unwarranted. It stated that, if the 1932 treaty went into effect, the marines would not be withdrawn at the time stipulated in the agreement, "only in case a serious emergency might arise, now entirely unforeseeable, which might make it advisable in the interest of both Governments to delay temporarily the completion of the program."<sup>72</sup>

#### AMERICAN CUSTOMS COLLECTOR ARRESTED

The revelations before the Senate Banking and Currency Committee in February 1933, which led to the resignation of Mr. Charles E. Mitchell as chairman of the Board of Directors of the National City Bank, did not increase the popularity of the financial proposals of the United States in Haiti, for the

largest of the three loans made in 1922 was taken by the National City Company—a subsidiary of the National City Bank. In April 1933 a further incident arose which for a time threatened good relations between the two governments. This incident involved certain customs frauds in which several Syrian merchants and also an American customs collector, David P. Johnson, were implicated. Although the Haitian government promptly arrested the merchants, no action was taken concerning the collector pending an investigation by the American authorities. This discriminatory treatment was criticised by a number of Haitians, and on April 7 Senator Hudicourt introduced into the Senate a resolution pointing out that the responsibility for collecting Haitian revenues rested on the United States and declaring that at the very moment when the American government had attempted to impose a "more severe" treaty upon Haiti, scandals had appeared in the customs. The resolution concluded by expressing the belief that the Haitian government should seize the occasion of these frauds to employ every means at its disposal to present to the United States the reasons in fact and in law why the people of Haiti should take into their hands and under their own responsibility the administration of their affairs and especially their finances.<sup>73</sup> This resolution was passed by the Senate on April 20.

Upon Mr. Johnson's confession of guilt, the State Department on April 11 instructed the Legation to inform the Haitian government that it was willing to waive Johnson's immunity as a "treaty official" and surrender him to the jurisdiction of the Haitian courts.<sup>74</sup> The fact that the United States should waive the immunity of this official pleased a number of Haitians who believed that this action augured well for the future policy of the Roosevelt administration toward Haiti.

The fundamental issue before the Roosevelt administration is whether it will ask the Haitian government to reconsider its rejection of the September 1932 agreement, or will conclude a new agreement. In this connection, the United States will probably consider whether, in view of the existing depression which has affected the security of foreign bonds in general, it should demand guarantees from Haiti which it does not extend to bondholders at home or elsewhere abroad. If the two governments cannot reach an understanding as to the extent of Haiti's obligation under the 1919 protocol, this question might be referred to arbitration.

69. Text of report in *Le Nouvelliste*, September 13, 1932.

70. *Le Nouvelliste*, September 16, 1932.

71. State Department, *Press Releases*, October 15, 1932.

72. In December 1932 it was announced that the Military Department of the South Atlantic was Haitianized and that only two military departments—North and Port-au-Prince—remained under the command of the Garde; also that 60 per cent of the officers of the Garde were now Haitians. State Department, *Press Releases*, December 17, 1932. In the summer of 1932 Dana G. Munro resigned as Minister to Haiti and was succeeded on July 25 by Norman Armour, formerly counselor of the American Embassy in Paris.

73. *Le Nouvelliste*, April 7, 1933.

74. State Department, *Press Releases*, April 15, 1933; also *New York Herald Tribune*, April 13, 1933.